

Exhibit A

Refunded Obligations

(1) City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1997, dated August 1, 1997

(2) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001A, dated April 15, 2001

(3) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001B, dated April 15, 2001

Exhibit B

Definitions

That, as used in this Fifteenth Supplement, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

“Alternate Credit Enhancement” or “Alternate Liquidity Facility” shall mean a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms hereof as a replacement or substitute for any Credit Enhancement or Liquidity Facility, as applicable, then in effect.

“Alternate Rate” shall mean, on any Rate Determination Date, for any Interest Rate Mode, a rate per annum equal to 110% of (a) the SIFMA Municipal Swap Index of Municipal Market Data most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Municipal Swap Index is no longer published, the S&P Weekly High Grade Index (formerly the JJ. Kenny Index), or if neither the SIFMA Municipal Swap Index nor the S&P Weekly High Grade Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Municipal Swap Index just prior to when the Securities and Financial Markets Association stopped publishing the SIFMA Municipal Swap Index. The Tender Agent shall make the determinations required by this determination, upon notification from the City, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

“Auction Mode” means the Interest Rate Mode during which the Bonds are in an Initial Period or an Auction Period.

“Authorized Denominations” shall mean (i) with respect to Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, (ii) with respect to Bonds in a Flexible Mode, \$100,000 and any integral multiple of \$1,000 in excess thereof, (iii) with respect to Bonds in a Long-Term Mode, \$5,000 and any integral multiple thereof, and (iv) with respect to Bonds in an Auction Mode, \$25,000 and integral multiples thereof.

“Authorized Official” means, individually and collectively, each of the Mayor, the Mayor Pro-Tem, the City Manager, the Chief Financial Officer, the Deputy Chief Financial Officer, the Treasurer and the City Clerk of the City.

“Available Amount” shall mean the amount available under the Credit Enhancement or Liquidity Facility, as applicable, to pay the principal of and interest on the Bonds or the Purchase Price of the Bonds, as applicable.

“Available Moneys” shall mean (i) Bond proceeds, refunding bond proceeds and investment income derived therefrom, (ii) moneys held by the Paying Agent/Registrar (other than in the Rebate Fund or the Purchase Fund) and under this Fifteenth Supplement for a period of at least 123 days and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the City, unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed, (iii) investment income derived from the investment of moneys described in clause (ii) or (iv) any moneys with respect to which an opinion of nationally recognized bankruptcy counsel has been received by the Paying Agent/Registrar to the effect that payments by the Paying Agent/Registrar in respect of the Bonds, as provided in this Fifteenth Supplement, derived from such moneys should not constitute transfers avoidable under 11 U.S.C. §547(b) and recoverable from the Holders under 11 U.S.C. §550(a) should the City be the debtor in a case under Title 11 of the United States Code, as amended.

“Beneficial Owner” shall mean, so long as the Bonds are negotiated in the Book-Entry System, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not held in the Book-Entry System, *Beneficial Owner shall mean Holder for purposes of this Ordinance.*

“Bond Counsel” shall mean any firm of nationally recognized municipal bond attorneys selected by the City and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax purposes.

“Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM VARIABLE RATE REVENUE REFUNDING BONDS, SERIES 2008” authorized for issuance by the Fifteenth Supplement.

“Book-Entry System” shall mean the system maintained by the Securities Depository described in Section 11 hereof.

“Business Day” shall mean any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the cities in which the designated office of any of the Tender Agent, the Remarketing Agent, the Paying Agent/Registrar, the Credit Provider or the Liquidity Provider is located are required or authorized by law or executive order to close, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational.

“City Purchase Account” shall mean the account by that name created in Section 7(i) hereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Conversion Date” shall mean with respect to the Bonds in a particular Interest Rate Mode, the day on which another Interest Rate Mode for the Bonds begins.

“Conversion Notice” shall mean the notice from the City to the other Notice Parties of the City’s intention to change the Interest Rate Mode with respect to the Bonds.

“Credit Enhancement” shall mean a letter of credit, insurance policy, surety bond, line of credit or other instrument then in effect which secures or guarantees the payment of principal of and interest on the Bonds. The initial Credit Enhancement for the Bonds is the Series 2008 Liquidity Agreement.

“Credit Provider” shall mean any bank, insurance company, pension fund or other financial institution which provides a Credit Enhancement or Alternate Credit Enhancement for the Bonds. The initial Credit Provider shall be specified by the Pricing Officer in the Pricing Certificate.

“Credit Provider Failure” or “Liquidity Provider Failure” shall mean a failure of the Credit Provider or Liquidity Provider, as applicable, to pay a properly presented and conforming draw or request for advance under the Credit Enhancement or Liquidity Facility, as applicable, or the filing or commencement of any bankruptcy or insolvency proceedings by or against the Credit Provider or Liquidity Provider, as applicable, or the Credit Provider or Liquidity Provider, as applicable, shall declare a moratorium on the payment of its unsecured debt

obligations or shall repudiate the Credit Enhancement or Liquidity Facility, as applicable.

“Current Mode” shall have the meaning specified in Section 5(i)(1)(i) hereof.

“Daily Mode” shall mean the Interest Rate Mode during which the Bonds bear interest at the Daily Rate.

“Daily Rate” shall mean the per annum interest rate on any Bond in the Daily Mode determined pursuant to Section 5(d)(1) hereof.

“Daily Rate Period” shall mean the period during which a Bond in the Daily Mode shall bear interest at a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

“Delayed Remarketing Period” shall have the meaning specified in Section 7(j)(2) hereof.

“Electronic Means” shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“Expiration Date” shall mean the stated expiration date of the Credit Enhancement or the Liquidity Facility, as it may be extended from time to time as provided in the Credit Enhancement or the Liquidity Facility, or any earlier date on which the Credit Enhancement or the Liquidity Facility shall terminate at the direction of the City, expire or be cancelled.

“Favorable Opinion of Bond Counsel” shall mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under V.T.C.A., Government Code, Chapters 1207, 1371 and 1502, as amended, and this Ordinance and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

“Fifteenth Supplement” means Ordinance No. 20080306-053 authorizing the issuance of the Bonds and all Exhibits thereto, including any Pricing Certificates executed thereunder.

“Fifteenth Supplement Secured Obligations” shall have the meaning specified in Section 16 hereof.

“Fitch” shall mean Fitch, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City after consultation with the Remarketing Agent, if any, and the Broker-Dealer, if any.

“Fixed Rate” shall mean the per annum interest rate on any Bond in the Fixed Rate Mode determined pursuant to Sections 5(e)(2) hereof.

“Fixed Rate Bond” shall mean a Bond in the Fixed Rate Mode.

“Fixed Rate Mode” shall mean the Interest Rate Mode during which the Bonds bear interest at the Fixed Rate.

“Fixed Rate Period” shall mean for the Bonds in the Fixed Rate Mode, the period from the Conversion Date upon which the Bonds were converted to the Fixed Rate Mode to but not including the Maturity Date for the Bonds.

“Flexible Mode” shall mean the Interest Rate Mode during which the Bonds bear interest at the Flexible Rate.

“Flexible Rate” shall mean the per annum interest rate on a Bond in the Flexible Mode determined for such Bond pursuant to Section 5(c) hereof. The Bonds in the Flexible Mode may bear interest at different Flexible Rates.

“Flexible Rate Bond” shall mean a Bond in the Flexible Mode.

“Flexible Rate Period” shall mean the period of from one to 270 calendar days (which period must end on a day preceding a Business Day) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the Remarketing Agent pursuant to Section 5(c) hereof. The Bonds in the Flexible Mode may be in different Flexible Rate Periods.

“Fourteenth Supplement” shall mean means Ordinance No. 20080306-052 authorizing the issuance of Series 2008 Interest Rate Management Agreement and

the Series 2008 Liquidity Agreement and all Exhibits thereto, including any Pricing Certificates issued thereunder.

“Hedge Counterparty” shall have the meaning as set forth in the Fourteenth Supplement.

“Holder” shall mean the registered owner of a Bond, including the Securities Depository, if any, or its nominee.

“Interest Accrual Period” shall mean the period during which a Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the Bonds) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any Bond, interest is in default or overdue on the Bonds, such Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding Bonds.

“Interest Payment Date” shall mean each date on which interest is to be paid and is: (i) with respect to the Bonds in the Flexible Mode, each Mandatory Purchase Date applicable thereto; (ii) with respect to the Bonds in the Daily Mode or Weekly Mode, the first Business Day of each month; (iii) with respect to the Bonds in a Term Rate Mode or a Fixed Rate Mode, each May 15 and November 15, beginning with the first such date following a Conversion Date and, with respect to a Term Rate Period, the final day of the current Interest Period if other than May 15 or November 15; (iv) with respect to the Bonds in the LIBOR Indexed Mode, each January 1, April 1, July 1 and October 1 (beginning with the first such day after the Conversion Date); (v) (without duplication as to any Interest Payment Date listed above) each Maturity Date; (vi) with respect to any Liquidity Provider Bonds, the day set forth in the applicable Reimbursement Agreement and (vii) with respect to the Bonds in the Auction Mode, Interest Payment Date shall have the meaning set forth in Exhibit E.

“Interest Period” shall mean, for the Bonds in a particular Interest Rate Mode, the period of time that the Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include an Auction Period, a Flexible Rate Period, a Daily Rate Period, a Weekly Rate Period, a LIBOR Interest Period, a Term Rate Period and a Fixed Rate Period.

“Interest Rate Mode” shall mean, as the context may require, the Auction Mode, the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode.

“LIBOR Indexed Mode” shall mean the Interest Rate Mode during which the Bonds bear interest at the LIBOR Index Rate.

“LIBOR Index Rate” is the rate borne by the Bonds during each Interest Period determined in accordance with Section 5(h).

“LIBOR Interest Period” means, during the LIBOR Indexed Mode, the period from (and including) the Conversion Date to the first Interest Payment Date and thereafter shall mean the period from (and including) an Interest Payment Date to but not including the following Interest Payment Date (regardless of whether or not such Interest Payment Dates are business days).

“Liquidity Facility” shall mean any letter of credit, line of credit, standby purchase agreement or other instrument then in effect which provides for the payment of the purchase price of Bonds upon the tender thereof in the event remarketing proceeds are insufficient therefor. The initial Liquidity Facility for the Bonds is the Series 2008 Liquidity Agreement issued by the initial Liquidity Provider. The City is not required by this Ordinance to provide a Liquidity Facility for Bonds in the Auction Mode or the Fixed Rate Mode.

“Liquidity Facility Purchase Account” shall mean the account by that name created in Section 7(i) hereof.

“Liquidity Provider” shall mean any bank, insurance company, pension fund or other financial institution which provides a Liquidity Facility or Alternate Liquidity Facility for the Bonds. The initial Liquidity Provider shall be specified by the Pricing Officer in the Pricing Certificate executed in accordance with the Fourteenth Supplement.

“Liquidity Provider Bonds” shall mean any Bonds purchased by the Liquidity Provider with funds drawn on or advanced under the Liquidity Facility.

“London Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

“Long-Term Mode” shall mean a LIBOR Indexed Mode, a Term Rate Mode or a Fixed Rate Mode.

“Mandatory Purchase Date” shall mean: (i) with respect to a Flexible Rate Bond the first Business Day following the last day of each Flexible Rate Period with respect to such Bond; (ii) for Bonds in the Term Rate Mode, on the first Business Day following the last day of each Term Rate Period; (iii) any Conversion Date (except a change in Interest Rate Mode between the Daily Mode and the Weekly Mode); (iv) any Substitution Date; (v) the fifth Business Day prior to the Expiration Date (other than as a result of an Automatic Termination Event); (vi) the date specified by the Paying Agent/Registrar following the occurrence of an event of default under the applicable Reimbursement Agreement, which date shall be a Business Day not more than ten days after the Paying Agent/Registrar’s receipt of notice of such event of default from the Credit Provider or the Liquidity Provider and in no event later than two (2) Business Days preceding the termination date specified by the Credit Provider or the Liquidity Provider; (vii) the date specified by the Paying Agent/Registrar following receipt of notice by the Paying Agent/Registrar from the Credit Provider that the Credit Enhancement will not be reinstated following a drawing to pay interest on the Bonds (other than interest on Bonds no longer Outstanding after such drawing) which date shall be a Business Day not more than five days after the Paying Agent/Registrar’s receipt of such notice; and (viii) for Bonds in the Daily Mode or Weekly Mode, any Business Day specified by the City not less than 20 days after the Paying Agent/Registrar’s receipt of such notice and in no event later than the day preceding the Expiration Date.

“Master Ordinance” means Ordinance No. 000608-56A providing for the issuance of “Parity Water/Wastewater Obligations,” as defined therein, passed by the City on June 8, 2000.

“Maturity Date” shall mean May 15, 2031 and, if established pursuant to Section 5(i)(2)(v) hereof upon a change to the Fixed Rate Mode, any Serial Maturity Date.

“Maximum Rate” shall mean (i) with respect to all Bonds other than Liquidity Provider Bonds, a rate of interest of 12.00% per annum and (ii) with respect to Liquidity Provider Bonds, the rate specified in the Liquidity Facility; provided that if the Bonds are in the Auction Mode, the Maximum Rate shall have the meaning in Exhibit E - Auction Procedures. In no event shall such rate(s) exceed the highest rate allowed by law.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or

liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City after consultation with the Remarketing Agent, if any, and the Broker-Dealer, if any.

“New Mode” shall have the meaning specified in Section 5(i)(1)(i) hereof.

“Notice Parties” shall mean the City, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent, if any, the Broker-Dealer, if any, the Auction Agent, if any, the Credit Provider, the Hedge Counterparty and the Liquidity Provider.

“Opinion of Counsel” means a written opinion of counsel who may (except as otherwise expressly provided in this Ordinance) be counsel for the City. Any requirement for an Opinion of Counsel may be satisfied if the required opinions are delivered separately by different firms or by one firm, so long as, taking all the opinions together, the requirement is met.

“Paying Agent/Registrar” means the financial institution specified in Section 4 of the Fifteenth Supplement.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Previously Issued Parity Water/Wastewater Obligations” mean the outstanding Parity Water/Wastewater Obligations previously issued or incurred pursuant to one or more Prior Supplements, more particularly identified as follows: (1) “City of Austin, Texas, Water And Wastewater System Revenue Refunding Bonds, Series 2000” (2) “City of Austin, Texas, Water And Wastewater System Revenue Refunding Bonds, Series 2001A”, (3) “City of Austin, Texas, Water And Wastewater System Revenue Refunding Bonds, Series 2001B”, (4) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001C”, (5) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2002A”, (6) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2003”, (7) “City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2004”, together with certain regularly scheduled payments under the Interest Rate Management Agreement, the Liquidity Agreement and the Insurance Obligation (as such terms are defined in Ordinance No. 040812-43), (8) “City of

Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2004A”, (9) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005”, (10) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005A”, (11) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006” and (12) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006A,” (13) “City of Austin, Texas, Water And Wastewater System Revenue Refunding Bonds, Series 2007” and (14) the City’s obligation to make certain regularly scheduled payments under the Series 2008 Interest Rate Management Agreement.

“Principal Payment Date” shall mean any date upon which the principal amount of Bonds is due hereunder, including the Maturity Date, any Serial Maturity Date, any Redemption Date.

“Prior Supplements” mean Ordinance Nos. 000608-56B, 010419-77, 011129-65, 020718-15, 030206-35, 040617-45, 040812-43, 040930-83, 050519-37, 051020-051, 20051117-060, 20061108-051, 20071108-080 and 20080306-052 authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

“Purchase Date” shall mean (i) for a Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of said Bond pursuant to the provisions of Section 7(a) hereof, and (ii) any Mandatory Purchase Date.

“Purchase Fund” shall mean the fund by that name created in Section 7(j) hereof.

“Purchase Price” shall mean an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus accrued interest to the Purchase Date (unless the Purchase Date is an Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

“Quotation Agent” means Goldman, Sachs & Co., or, if Goldman, Sachs & Co. cannot perform the duties of a Quotation Agent set forth herein, such other quotation agent as may be designated by the City.

“Rate Determination Date” shall mean any date on which the interest rate on Bonds shall be determined, which: (i) in the case of the Flexible Mode, shall be the first day of an Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) the Bonds become subject to the Daily Mode; (iii) in the case of the Weekly Mode,

(A) each Wednesday or, if Wednesday is not a Business Day, then the Business Day next succeeding such Wednesday and (B) not later than the Business Day preceding a Conversion Date, a Substitution Date or a Mandatory Purchase Date specified in clause (viii) of the definition of Mandatory Purchase Date; (iv) in the case of the Term Rate Mode, shall be a Business Day no earlier than fifteen (15) Business Days and no later than the Business Day next preceding the first day of an Interest Period, as determined by the Remarketing Agent; (v) in the case of the LIBOR Indexed Mode, shall be date that is two (2) London Business Days preceding the first day of each LIBOR Interest Period; and (vi) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Conversion Date.

“Rating Agencies” shall mean any of Moody’s, S&P or Fitch, which is then providing a rating on the Bonds.

“Rating Confirmation Notice” shall mean a notice from Moody’s, S&P or Fitch, as appropriate, confirming that the rating on the Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

“Record Date” shall mean: (i) with respect to Bonds in a Short-Term Mode or an Auction Mode, the last Business Day before an Interest Payment Date; and (ii) with respect to Bonds in a Long-Term Mode, the last business day of the month next preceding each Interest Payment Date.

“Redemption Date” shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

“Redemption Price” shall mean an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

“Reimbursement Agreement” shall mean any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, by and between the Credit Provider or Liquidity Provider, as applicable, and the City. Initially, the Series 2008 Liquidity Agreement is the only Reimbursement Agreement.

“Remarketing Agent” shall mean any investment banking firm appointed as provided in Section 8(a) hereof.

“Remarketing Agreement” shall mean that certain Remarketing Agreement relating to the Bonds, by and between the City and the Remarketing Agent attached to and approved in the Pricing Certificate in accordance with the provisions of the Fourteenth Supplement or any similar agreement between the City and the Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

“Remarketing Proceeds Account” shall mean the account by that name created in Section 7(i) hereof.

“S&P” shall mean Standard & Poor’s Ratings Services, Inc., a division of The McGraw-Hill Companies, Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City after consultation with the Remarketing Agent, if any, and the Broker-Dealer, if any.

“Securities Depository” shall mean The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax 516/227-4039 or 4190 and such other securities depository as the City may designate in a certificate of the City delivered to the Paying Agent/Registrar.

“Security Register” shall have the meaning given said term in Section 4 of the Fifteenth Supplement.

“Serial Bonds” shall mean the Bonds maturing on the Serial Maturity Dates, as determined pursuant to Section 5(i)(2) hereof.

“Serial Maturity Dates” shall mean the dates on which the Serial Bonds mature, as determined pursuant to Section 5(i)(2) hereof.

“Serial Payments” shall mean the payments to be made in payment of the principal of the Serial Bonds on the Serial Maturity Dates.

“Series 2008 Interest Rate Management Agreement” means that certain interest rate management agreement entered into between the City and the Hedge Counterparty consisting of the 1992 ISDA Master Agreement, the Confirmation between such parties, and the Schedules and Credit Support Annex attached thereto attached to and approved in the Pricing Certificate pursuant to the

provisions of the Fourteenth Supplement, together with any and all prior and future amendments to any of the foregoing.

“Series 2008 Liquidity Agreement” means that certain Reimbursement Agreement and Letter of Credit, between the City and the Liquidity Provider attached to and approved in the Pricing Certificate pursuant to the provisions of the Fourteenth Supplement.

“Short-Term Mode” shall mean the Daily Mode, the Weekly Mode or the Flexible Mode.

“Substitution Date” shall mean the date upon which an Alternate Credit Enhancement or Alternate Liquidity Facility is scheduled to be substituted for the Credit Enhancement or Liquidity Facility then in effect.

“Tender Agent” shall mean the commercial bank, trust company or other entity which may from time to time be appointed to serve as Tender Agent as provided in Section 8(c) hereof. Until such time as an alternate Tender Agent is appointed, the Tender Agent shall be the Paying Agent/Registrar.

“Tender Agent Agreement” means that certain Tender Agent Agreement relating to the Bonds, by and between the City and the Tender Agent.

“Tender Notice” shall mean a notice delivered by Electronic Means or in writing that states (i) the principal amount of such Bond to be purchased pursuant to Section 7(a) hereof, (ii) the Purchase Date on which such Bond is to be purchased, (iii) applicable payment instructions with respect to the Bonds being tendered for purchase and (iv) an irrevocable demand for such purchase.

“Tender Notice Deadline” shall mean (i) during the Daily Mode, 11:00 A.M. on any Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business Day seven days prior to the applicable Purchase Date.

“Term Rate” shall mean the per annum interest rate for the Bonds in the Term Rate Mode determined pursuant to Section 5(e)(i) hereof.

“Term Rate Mode” shall mean the Interest Rate Mode during which the Bonds bear interest at the Term Rate.

“Term Rate Period” shall mean the period from (and including) the Conversion Date to (but excluding) the last day of the first period that the Bonds shall be in the Term Rate Mode as established by the City for the Bonds pursuant

to Sections 5(i)(1)(i) hereof and, thereafter, the period from (and including) the beginning date of each successive Interest Period selected for the Bonds by the City pursuant to Section 5(e)(i) while it is in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in this Ordinance, an Interest Period for the Bonds in the Term Rate Mode must be at least 180 days in length.

“Three-Month LIBOR Rate” means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 A.M., London time, on the Rate Determination Date, except that, if such rate does not appear on such page on the Rate Determination Date, the Three-Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 A.M., London time, on the Rate Determination Date, to prime banks in the London interbank market by four major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Quotation Agent. The Quotation Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Quotation Agent, at approximately 11:00 A.M., New York City time, on the Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity. If the banks in New York City selected by the Quotation Agent are not then quoting rates for such loans, then the Three-Month LIBOR Rate for the ensuing LIBOR Interest Period will mean the Three-Month LIBOR Rate then in effect.

“Unremarketed Bonds Rate” shall mean (i) if a Liquidity Facility was delivered in connection with the Bonds, the Alternate Rate plus 3% per annum and (ii) if a Liquidity Facility was not delivered in connection with the Bonds, the Maximum Rate, provided in no event shall either such rate exceed the highest rate allowed by law.

“Variable Rate Mode” shall mean the Short-Term Mode or the Term Rate Mode.

“Weekly Mode” shall mean the Interest Rate Mode during which the Bonds bear interest at the Weekly Rate.

“Weekly Rate” shall mean the per annum interest rate on the Bonds in the Weekly Mode determined pursuant to Section 5(d)(2) hereof.

“Weekly Rate Period” shall mean the period during which a Bond in the Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except (i) if the Bonds are issued in the Weekly Mode, in which case the first Weekly Rate Period shall be from the initial issuance of the Bonds to and including the Wednesday of the following week, (ii) in connection with a conversion to the Weekly Rate, in which case the first Weekly Rate Period shall be from the Conversion Date to and including the Wednesday of the following week, (iii) in the case of a Substitution Date or Mandatory Purchase Date specified in clause (viii) of the definition of Mandatory Purchase Date, in which case the Weekly Rate Period prior to the Substitution Date or such Mandatory Purchase Date shall end on the day before the Substitution Date or such Mandatory Purchase Date and a new Weekly Rate Period shall commence on the Substitution Date or such Mandatory Purchase Date and end on the Wednesday of the following week and (iv) in connection with a conversion from the Weekly Mode, the last Weekly Rate Period shall end on the day next preceding the Conversion Date.

Defined terms relating to the Auction Mode (including but not limited to Auction, Auction Period Rate, Auction Agent, Auction Date, Auction Period, Auction Procedures, Broker-Dealer, Maximum Rate and Flexible Auction Period) shall have the meanings given to such terms in Exhibit E hereto.

Exhibit C

Paying Agent/Registrar Agreement

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of _____, 2008 (this "Agreement"), by and between the City of Austin, Texas (the "City"), and U. S. Bank National Association, a banking corporation organized and existing under the laws of the United States of America, or its successors or assigns hereunder (the "Bank"),

RECITALS

WHEREAS, the City has duly authorized and provided for the execution and delivery of its "City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008" in the aggregate principal amount of \$ _____ (the "Securities"), pursuant to an Ordinance No. 20080306-053, together with all appendices and exhibits thereto, to be adopted by the City on March 6, 2008 (the "Ordinance"), which Securities are scheduled to be delivered to the initial purchaser on or about _____, 2008; and

WHEREAS, the City has selected the Bank to serve as paying agent, registrar and transfer agent with respect to such Securities; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the City and is duly qualified and otherwise capable of performing the duties and responsibilities contemplated by this Agreement with respect to the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT/REGISTRAR

Section 1.01: Appointment. The City hereby appoints the Bank to serve as Paying Agent/Registrar with respect to the Securities. As Paying Agent/Registrar for the Securities, the Bank shall be responsible for paying on behalf of the City the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof and shall keep and maintain for and on behalf of the City books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the "Ordinance."

The Bank hereby accepts its appointment, and hereby certifies that it has the capacity to, and agrees to, serve as the Paying Agent/Registrar for the Securities, all as further provided herein and in the Ordinance.

Section 1.02: Compensation. As compensation for the Bank's services as Paying Agent/Registrar, the City hereby agrees to pay the Bank the fees and amounts set forth in Annex A attached.

In addition, the City agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

Any obligation of the City created by or arising out of this Agreement and owing to the Paying Agent/Registrar shall be a limited unsecured obligation of the City, payable solely from the Net Revenues of the Water/Wastewater System, in accordance with the customary payment approval procedures, policies and processes of the City.

ARTICLE TWO DEFINITIONS

Section 2.01: Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

“Acceleration Date” on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

“Bank Office” means the designated office of the Bank as indicated in Section 3.01 hereof. The Bank will notify the City in writing of any change in location of the Bank Office.

“City Request” and “City Order” means a written request or order signed in the name of the City by the Mayor, City Clerk, City Manager, Assistant City Manager, Chief Financial Officer, Deputy Chief Financial Officer, or City Treasurer, any one or more of said officials, and delivered to the Bank.

“Fiscal Year” means the fiscal year of the City, ending September 30th.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Predecessor Securities” of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Resolution).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the City providing for the registration and transfers of Securities.

“Stated Maturity” means the date specified in the Ordinance the principal of a Security is scheduled to be due and payable.

Section 2.02: Other Definitions. The terms “Bank,” “City,” and “Securities (Security)” have the meanings assigned to them in the recital paragraphs of this Agreement. Capitalized terms used herein but not otherwise defined herein shall have the meaning set forth in the Ordinance.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE
PAYING AGENT/REGISTRAR

Section 3.01: Payments. As Paying Agent/Registrar, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City, pay on behalf of the City the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the following office:

U.S. Bank National Association, Attention:
Bond Operations, 60 Livingston Avenue,
First Floor, St. Paul, Minnesota 55107

As Paying Agent/Registrar, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City, pay on behalf of the City the interest on each Security when due, by computing the amount of interest to be paid each Holder and making payment thereof to the Holders of the Securities (or their Predecessor Securities) on the Record Date. All payments of principal and/or interest on the Securities to the registered owners shall be accomplished by the method set forth in the Ordinance or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

Section 3.02: Payment Dates. The City hereby instructs the Bank to pay the principal of and interest on the Securities at the dates specified in the Ordinance.

Section 3.03: Security Register - Transfers and Exchanges. The Bank agrees to keep and maintain for and on behalf of the City at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the City and subject to such reasonable regulations as the City and Bank may prescribe. The Bank represents and warrants that it will file and maintain a copy of the Security Register with the City of Austin, Texas, and shall cause the Security Register to be current with all registration and transfer information as from time to time may be applicable. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 3.04: Certificates. The City shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other governments or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 3.05: Form of Security Register. The Bank, as Paying Agent/Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 3.06: List of Security Holders. The Bank will provide the City at any time requested by the City, upon payment of the required fee, a copy of the information contained in the Security Register. The City may also inspect the information contained in the Security Register at any time the Bank is customarily

open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the City, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the City so that the City may contest the court order or such release or disclosure of the contents of the Security Register.

Section 3.07: Return of Cancelled Certificates. The Bank will, at such reasonable intervals as it determines, surrender to the City, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 3.08: Mutilated, Destroyed, Lost or Stolen Securities. The City hereby instructs the Bank, subject to the provisions of Section 19 of the Ordinance, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only upon the approval of the City and after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the City and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

Section 3.09: Transaction Information to City. The Bank will, within a reasonable time after receipt of written request from the City, furnish the City information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 3.03, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 3.08.

ARTICLE FOUR
THE BANK

Section 4.01: Duties of Bank. The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

Section 4.02: Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by City.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 4.03: Recitals of City. The recitals contained herein with respect to the City and in the Securities shall be taken as the statements of the City, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the City, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 4.04: May Hold Securities. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the City with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 4.05: Moneys Held by Bank - Paying Agent Account/Collateralization. A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping and disbursement of moneys received from the City hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under both the laws of the State of Texas and the laws of the United States of America to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such account shall be made by check drawn on such account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the applicable unclaimed property laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be paid by the Bank to the City, and the Holder of such Security shall thereafter look only to the City for payment thereof, and all liability of the Bank with respect to such moneys shall thereupon cease.

Section 4.06: Indemnification. To the extent permitted by law, the City agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including

the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 4.07: Interpleader. The City and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where the administrative offices of the City is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 3.01 of this Agreement shall constitute adequate service. The City and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

Section 4.08: DTC Services. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE FIVE MISCELLANEOUS PROVISIONS

Section 5.01: Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 5.02: Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 5.03: Notices. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the City or the Bank shall be mailed or delivered to the City or the Bank, respectively, at the addresses shown on the signature page hereto.

Section 5.04: Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 5.05: Successors and Assigns. All covenants and agreements herein by the City shall bind its successors and assigns, whether so expressed or not.

Section 5.06: Severability. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 5.07: Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 5.08: Entire Agreement. This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern.

Section 5.09: Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 5.10: Termination. This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the City and such appointment accepted and (b) notice given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and City mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the City.

The provisions of Section 1.02 and of Article Four shall survive and remain in full force and effect following the termination of this Agreement.

Section 5.11: Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

U. S. BANK NATIONAL
ASSOCIATION, Houston, Texas

Attest:

By: _____
Title: _____

Title:

Address: 5555 San Felipe, Suite 1150
Houston, Texas 77056

CITY OF AUSTIN, TEXAS

By _____
Title: _____

Attest:

Address: 700 Lavaca, Suite 1510
Austin, Texas 78701

City Clerk

Exhibit D
Special Escrow Agreement

SPECIAL ESCROW AGREEMENT

THIS SPECIAL ESCROW AGREEMENT (the "Agreement"), dated and made effective as of _____, 2008, made by and between the City of Austin, Texas, a duly incorporated municipal corporation principally located in Travis County, Texas (the "City") acting by and through the Mayor and City Clerk, and U. S. Bank, National Association, Houston, Texas (the "Bank"), a banking corporation organized and existing under the laws of the United States of America, or its successors or assigns hereunder,

WITNESSETH:

WHEREAS, the City Council of the City of Austin, Texas (the "City") has heretofore issued, sold, and delivered, and there is currently outstanding, obligations totaling in principal amount \$_____ (collectively, the "Refunded Bonds") more particularly described as follows:

(1) City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1997, dated August 1, 1997, scheduled to mature on May 15 and/or November 15 in each of the years 20__ through 20____ and 20____, and aggregating in principal amount of \$_____ (the "Series 1997 Refunded Bonds");

(2) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001A, dated April 15, 2001, representing a portion of such bonds scheduled to mature on May 15 in each of the years 20__ and 20____, and aggregating in principal amount \$_____ (the "Series 2001A Refunded Bonds") and further described as follows:

<u>Year of</u> <u>Maturity</u>	<u>Principal Amount</u> <u>Outstanding (\$)</u>	<u>Principal Amount</u> <u>Refunded (\$)</u>
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*represents mandatory sinking fund redemptions for term bond maturing in the year 20__

**represents mandatory sinking fund redemptions for term bond maturing in the years 20__

(3) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001B, dated April 15, 2001, representing a portion of such bonds scheduled to mature on May 15 in each of the years 20 and 20____, and aggregating in principal amount \$_____ (the "Series 2001B Refunded Bonds") and further described as follows:

<u>Year of Maturity</u>	<u>Principal Amount Outstanding (\$)</u>	<u>Principal Amount Refunded (\$)</u>
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*represents mandatory sinking fund redemptions for term bond maturing in the year 20____
 **represents mandatory sinking fund redemptions for term bond maturing in the years 20____

AND WHEREAS, in accordance with the provisions of V.T.C.A., Government Code, Chapter 1207, as amended (the "Act") and the ordinances authorizing the issuance of the Refunded Bonds, the City is authorized to sell refunding bonds and deposit the proceeds of such refunding bonds with any place of payment for such obligations, or other authorized depository, in an amount sufficient to provide for the full payment thereof and enter into an escrow or similar agreement with such place of payment for the safekeeping, investment, reinvestment, administration and disposition of such deposit, upon such terms and conditions as the parties may agree, provided such deposits may be invested only in (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a

nationally recognized investment rating firm not less than AAA or its equivalent (hereinafter referred to as the "Governmental Securities") that mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Refunded Bonds; and

WHEREAS, the ordinance authorizing the Series 1997 Refunded Bonds restrict the escrowed securities eligible for deposit to direct obligations of the United States of America, including obligations the principal of and interest on are unconditionally guaranteed by the United States of America (the "Federal Securities"); and

WHEREAS, such deposit, if made on or before the payment date for such obligations, shall constitute the making of firm banking and financial arrangements for their discharge and final payment and such obligations shall cease to be outstanding obligations of the City for all purposes except for being paid from the deposit of funds placed in escrow; and

WHEREAS, the Refunded Bonds are scheduled to mature and interest thereon is payable on the dates and in the manner set forth in Exhibit A attached hereto and incorporated herein by reference as a part of this Agreement for all purposes; and

WHEREAS, the City on the 6th day of March, 2008, pursuant to Ordinance No. 20080306-053 (the "Authorization") duly passed and adopted by the City Council, authorized the issuance of bonds known as "City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008" (the "Bonds"), and such Bonds are being issued to refund, discharge and make final payment of the principal of and interest on the Refunded Bonds and which Authorization delegated matters relating to the sale and issuance of the Bonds to the _____ (the "Pricing Officer"); to wit: the identification of the Refunded Bonds, the creation and funding of the Escrow Fund and the Escrow Agent's compensation, administration of the Escrow Fund, and the settlement of any paying agents' charges relating to the Refunded Bonds, such pricing and other certain matters to be set forth in a pricing certificate, which pricing certificate was duly approved and executed by the Pricing Officer on _____, 2008 (the "Pricing Certificate"); and, collectively with the Authorization, the "Bond Ordinance"); and

WHEREAS, upon the delivery of the Bonds, the proceeds of sale, together with other available funds of the District to be deposited with the Bank, are to be used in part to purchase the Governmental Securities and Federal Securities listed

and identified in Exhibit B attached hereto and incorporated herein by reference as a part of this Agreement for all purposes (together with substituted securities therefor in accordance with the provisions of Section 11 hereof hereinafter referred to as the "Escrowed Securities") ; and

WHEREAS, the Escrowed Securities, together with the beginning cash balance in the Escrow Fund, shall mature and the interest thereon shall be payable at such times to insure the existence of monies sufficient to pay in full the aggregate amount of the Refunded Bonds in accordance with the terms of the ordinances pertaining to issuance of the Refunded Bonds and as set forth in Exhibit A attached hereto; and

WHEREAS, the City has completed all arrangements for the purchase of the Escrowed Securities listed in Exhibit B and the deposit and credit of the same to the Escrow Fund as provided herein; and

WHEREAS, the Bank is a banking corporation organized and existing under the laws of the United States of America, possessing trust powers and is fully qualified and empowered to enter into this Agreement and the Bank does not act as a depository of the City; and

WHEREAS, in Section 24 of the Authorization, the City Council duly approved and authorized the execution of this Agreement; and

WHEREAS, the City and the Bank, as the case may be, shall take all action necessary to pay the full aggregate amount of the Refunded Bonds in accordance with the provisions thereof, including, without limitation, all actions required by the ordinances pertaining to the Refunded Bonds, the Act, the Bond Ordinance, and this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and to secure the payment of the Refunded Bonds as provided in Exhibit A attached hereto, the City and the Bank hereby mutually undertake, promise and agree as follows:

SECTION 1: Receipt of Refunded Ordinances. Receipt of copies of the ordinances authorizing the issuance of the Refunded Bonds and the Bond Ordinance are hereby acknowledged by the Bank. Reference herein to or citation herein of any provision of said documents shall be deemed an incorporation of such provision as a part hereof in the same manner and with the same effect as if it were fully set forth herein.

SECTION 2: Escrow Fund Creation/Funding. There is hereby created by the City with the Bank a special segregated and irrevocable trust fund designated "SPECIAL 2008 CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS ESCROW FUND" (hereinafter called the "Escrow Fund") for the payment of the Refunded Bonds, and the City agrees and covenants to cause to be deposited with the Bank the following:

\$ _____ for the purchase of the Escrowed Securities identified in Exhibit B to be held for the account of the Escrow Fund;

\$ _____ for deposit in the Escrow Fund as a beginning cash balance.

The Bank hereby accepts the Escrow Fund and further agrees to receive said moneys, apply the same as set forth herein, and to hold the cash and Escrowed Securities deposited and credited to the Escrow Fund for application and disbursement for the purposes and in the manner provided for in this Agreement.

SECTION 3: Escrow Fund Sufficiency-Warranty. The City hereby represents that the cash and Escrowed Securities specified in Section 2 hereof, together with the interest to be earned thereon, deposited to the credit of the Escrow Fund will be sufficient to pay in full and in a timely manner the Refunded Bonds as shown in Exhibit A, and such Refunded Bonds shall be paid at the times and in the amounts set forth and identified in Exhibit A attached hereto.

SECTION 4: Pledge of Escrow. The Bank agrees that all cash and Escrowed Securities, together with any income or interest earned thereon, held in the Escrow Fund shall be and is hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds in the amounts and timely manner shown in Exhibit A, and such funds initially deposited and to be received from maturing principal and interest on the Escrowed Securities in the Escrow Fund shall be applied solely in accordance with the provisions of this Agreement.

SECTION 5: Escrow Insufficiency-City Warranty to Cure. If, for any reason, the funds on hand in the Escrow Fund shall be insufficient to make the payments set forth in Exhibit A attached hereto, as the same becomes due and payable, the City shall make timely deposits to the Escrow Fund, from lawfully available funds, of additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be immediately given by the

Bank to the City by the fastest means possible, but the Bank shall in no manner be responsible for the City's failure to make such deposits.

SECTION 6: Escrow Fund Securities/Segregation. The Bank shall hold said Escrowed Securities and moneys in the Escrow Fund at all times as a special and separate trust fund, wholly segregated from other moneys and securities on deposit with the Bank; shall never commingle said Escrowed Securities and moneys with other moneys or securities of the Bank; and shall hold and dispose of the assets therein only as set forth herein. Nothing herein contained shall be construed as requiring the Bank to keep the identical moneys, or any part thereof, in said Escrow Fund, if it is impractical, but moneys of an equal amount, except to the extent such are represented by the Escrowed Securities, shall always be maintained on deposit in the Escrow Fund by the Bank, as escrow agent; and a special account evidencing such facts shall at all times be maintained on the books of the Bank.

SECTION 7: Escrow Fund Collections/Payments. The Bank shall collect and receive the principal of and interest on the Escrowed Securities as they respectively mature and become due and credit the same to the Escrow Fund. On or before each principal and/or interest payment date for the Refunded Bonds shown in Exhibit A attached hereto, the Bank, without further direction from anyone, including the City, shall cause to be withdrawn from the Escrow Fund the amounts required to pay the accrued interest due and payable on said payment date on the Refunded Bonds and the principal of the Refunded Bonds due and payable on said payment date and the amount withdrawn from the Escrow Fund shall be immediately transmitted and deposited with the paying agent for the Refunded Bonds to be paid with such amount. The paying agent for the Refunded Bonds is The Bank of New York Trust Company, N.A., Dallas, Texas.

SECTION 8: Escrow Fund Encumbrance. The escrow created hereby shall be irrevocable and an express lien shall exist on all moneys and Escrowed Securities in the Escrow Fund as security for the payment of the Refunded Bonds until such funds are paid out, used and applied in accordance with this Agreement.

Unless disbursed in payment of the Refunded Bonds, all funds and the Escrowed Securities received by the Bank for the account of the City hereunder shall be and remain the property of the Escrow Fund and the City and the owners of the Refunded Bonds shall be entitled to a preferred claim and shall have a first lien upon such funds and Escrowed Securities enjoyed by a trust beneficiary. The funds and Escrowed Securities received by the Bank under this Agreement shall not be considered as a banking deposit by the City and the Bank and the City shall

have no right or title with respect thereto, except as otherwise provided herein. Such funds and Escrowed Securities shall not be subject to checks or drafts drawn by the City.

SECTION 9: Absence of Bank Claim/Lien on Escrow Fund. The Bank shall have no lien whatsoever upon any of the moneys or Escrowed Securities in the Escrow Fund for payment of services rendered hereunder, services rendered as Paying Agent for the Refunded Bonds, or for any costs or expenses incurred hereunder and reimbursable from the City.

SECTION 10: Substitution of Investments/Reinvestments.

(a) The Bank shall be authorized to accept initially and temporarily cash and/or substituted Escrowed Securities pending the delivery of the Escrowed Securities attached hereto, or shall be authorized to redeem the Escrowed Securities and reinvest the proceeds thereof, together with other moneys held in the Escrow Fund in Escrowed Securities provided such early redemption and reinvestment of proceeds does not change the repayment schedule of the Refunded Bonds appearing in Exhibit A and the Bank receives the following:

(1) an opinion by an independent certified public accountant to the effect that (i) the initial and/or temporary substitution of cash and/or securities for one or more of the Escrowed Securities identified in Exhibit B pending the receipt and delivery thereof to the Escrow Agent or (ii) the redemption of one or more of the Escrowed Securities and the reinvestment of such funds in one or more substituted Governmental Securities or Federal Securities, as applicable, together with the interest thereon and other available moneys then held in the Escrow Fund, will, in either case, be sufficient without reinvestment to pay, as the same become due in accordance with Exhibit A, the principal of, and interest on, the Refunded Bonds which have not previously been paid, and

(2) with respect to an early redemption of Escrowed Securities and the reinvestment of the proceeds thereof, an unqualified opinion of nationally recognized municipal bond counsel to the effect that (i) such investment will not cause interest on the Bonds or Refunded Bonds to be included in the gross income for federal income tax purposes, under the Code and related regulations as in effect on the date of such investment, or otherwise make the interest on the Bonds or the Refunded Bonds subject to Federal income

taxation and (ii) such reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Bonds and the Bonds.

(b) If on the dates and in the amounts shown in Exhibit C attached hereto there exists cash in the Escrow Fund, the Bank and the City agree at least fifteen (15) days prior to such date, to subscribe for the purchase of United States Treasury Securities - State and Local Government Series (SLGS) bearing zero interest (0%) and on such date, in the amount and scheduled to mature as provided in Exhibit C and subscription forms prepared therefor as may be then required by the United States Department of the Treasury; provided that the then existing rules and regulations and policy of United States Department of the Treasury permit and authorize such investments. Should the policy, rules and regulations of the United States Department of Treasury not permit or authorize the purchase of such SLGS at such time or times, such cash balance or balances shall remain uninvested and held in trust for the benefit of the holders of the Refunded Bonds and used for the payment of the Refunded Bonds on the dates and in the amount such moneys would have been expended had such SLGS been acquired and matured.

SECTION 11: Restriction on Escrow Fund Investments – Reinvestments. Except as provided in Section 10 hereof, moneys in the Escrow Fund will be invested only in the Escrowed Securities listed in Exhibit B, and neither the City nor the Bank shall reinvest any moneys deposited in the Escrow Fund except as specifically provided by this Agreement.

SECTION 12: Excess Funds. If at any time through redemption or cancellation of the Refunded Bonds there exists or will exist excesses of interest on or maturing principal of the Escrowed Securities in excess of the amounts necessary hereunder for the Refunded Bonds, the Bank may transfer such excess amounts to or on the order of the City, provided that the City delivers to the Bank the following:

(1) an opinion by an independent certified public accountant that after the transfer of such excess, the principal amount of securities in the Escrow Fund, together with the interest thereon, and other available monies then held in the Escrow Fund, will be sufficient to pay, as the same become due and without reinvestment, in accordance with Exhibit A, the principal of, and interest on, the Refunded Bonds which have not previously been paid, and

(2) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such transfer will not cause interest on the Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes, under the Code and related regulations as in effect on the date of such transfer, or otherwise make the interest on the Bonds or the Refunded Bonds subject to Federal income taxation, and (b) such transfer complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Bonds or the Bonds.

SECTION 13: Collateralization. The Bank shall continuously secure the monies in the Escrow Fund not invested in Escrowed Securities by a pledge of direct obligations of the United States of America, in the par or face amount at least equal to the principal amount of said uninvested monies to the extent such money is not insured by the Federal Deposit Insurance Corporation.

SECTION 14: Absence of Bank's Liability for Investments. The Bank shall not be liable or responsible for any loss resulting from any investment made in the Escrowed Securities or substitute securities as provided in Section 10 hereof.

SECTION 15: Bank's Compensation — Escrow Administration/Settlement of Paying Agent's Charges. The City agrees to pay the Bank for the performance of services hereunder and as reimbursement for anticipated expenses to be incurred hereunder the amount of \$1,500.00 and, except for reimbursement of costs and expenses incurred by the Bank pursuant to Sections 3 and 19 hereof, the Bank hereby agrees said amount is full and complete payment for the administration of this Agreement.

The City also agrees to deposit with the Bank on the effective date of this Agreement, the sum of \$_____, which represents the total charge due the paying agent for the Refunded Bonds and the City acknowledges and agrees that such amount is and represents the total amount of compensation due The Bank of New York Trust Company, N.A. for services rendered as paying agent for the Refunded Bonds. Furthermore, the Bank agrees to transmit to the paying agent for the Refunded Bonds the amount included in such deposit for paying agent services to be rendered for the Refunded Bonds in accordance with the City's instructions.

SECTION 16: Escrow Agent's Duties/Responsibilities/Liability. The Bank shall not be responsible for any recital herein, except with respect to its organization and its powers and authority. As to the existence or nonexistence of

any fact relating to the City or as to the sufficiency or validity of any instrument, paper or proceedings relating to the City, the Bank shall be entitled to rely upon a certificate signed on behalf of the City by its Mayor or City Manager of the City as sufficient evidence of the facts therein contained. The Bank may accept a certificate of the City Clerk under the City's seal, to the effect that a resolution or other instrument in the form therein set forth has been adopted by the City Council of the City, as conclusive evidence that such resolution or other instrument has been duly adopted and is in full force and effect.

The duties and obligations of the Bank shall be determined solely by the express provisions of this Agreement and the Bank shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Bank.

In the absence of bad faith on the part of the Bank, the Bank may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Bank, conforming to the requirements of this Agreement; but notwithstanding any provision of this Agreement to the contrary, in the case of any such certificate or opinion or any evidence which by any provision hereof is specifically required to be furnished to the Bank, the Bank shall be under a duty to examine the same to determine whether it conforms to the requirements of this Agreement.

The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Bank unless it shall be proved that the Bank was negligent in ascertaining or acting upon the pertinent facts.

The Bank shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in aggregate principal amount of all said Refunded Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bank not in conflict with the intent and purpose of this Agreement. For the purposes of determining whether the holders of the required principal amount of said Refunded Bonds have concurred in any such direction, Refunded Bonds owned by any obligor upon the Refunded Bonds, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such obligor, shall be disregarded, except that for the purposes of determining whether the Bank shall be protected in relying on any such direction only Refunded Bonds which the Bank knows are so owned shall be so disregarded.

The term "Responsible Officers" of the Bank, as used in this Agreement, shall mean and include the Chairman of the Board of Directors, the President, any Vice President and any Second Vice President, the Secretary and any Assistant Secretary, the Treasurer and any Assistant Treasurer, and every other officer and assistant officer of the Bank customarily performing functions similar to those performed by the persons who at the time shall be officers, respectively, or to whom any corporate trust matter is referred, because of his knowledge of and familiarity with a particular subject; and the term "Responsible Officer" of the Bank, as used in this Agreement, shall mean and include any of said officers or persons.

SECTION 17: Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Bank by this Agreement.

SECTION 18: Interpleader. In the event conflicting demands or notices are made upon the Bank growing out of or relating to this Agreement or the Bank in good faith is in doubt as to what action should be taken hereunder, the Bank shall have the right at its election to:

(a) Withhold and stop all further proceedings in, and performance of, this Agreement with respect to the issue in question and of all instructions received hereunder in regard to such issue; and

(b) File a suit in interpleader and obtain an order from a court of appropriate jurisdiction in the State of Texas requiring all persons involved to interplead and litigate in such court their several claims and rights among themselves.

In the event the Bank becomes involved in litigation in connection with this Section, the City to the extent permitted by law agrees to indemnify and save the Bank harmless from all loss, cost, damages, expenses and attorney fees suffered or incurred by the Bank as a result thereof. The obligations of the Bank under this Agreement shall be performable at the principal corporate office of the Bank in the City of Houston, Texas.

The Bank may advise with legal counsel in the event of any dispute or question regarding the construction of any of the provisions hereof or its duties hereunder, and in the absence of negligence or bad faith on the part of the Bank, no liability shall be incurred by the Bank for any action taken pursuant to this Section and the Bank shall be fully protected in acting in accordance with the opinion and

instructions of legal counsel that is knowledgeable and has expertise in the field of law addressed in any such legal opinion or with respect to the instructions given.

SECTION 19: . Accounting – Annual Report. Promptly after September 30th of each year, commencing with the year 2008, so long as the Escrow Fund is maintained under this Agreement, the Bank shall forward by letter to the City, to the attention of the Treasurer, or other designated official of the City, a statement in detail of the Escrowed Securities and monies held, and the current income and maturities thereof, and the withdrawals of money from the Escrow Fund for the preceding 12 month period ending September 30th of each year.

SECTION 20: Notices. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed as follows:

CITY OF AUSTIN:

P. O. Box 1088
Austin, Texas 78767

700 Lavaca, Suite 1510
Austin, Texas 78701

Attention: City Treasurer

U. S. BANK NATIONAL ASSOCIATION

5555 San Felipe, Suite 1150
Houston, Texas 77056

Attention: Corporate Trust

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery.

Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof.

SECTION 21: Performance. Whenever under the terms of this Agreement the performance date of any provision hereof, including the payment dates for the Refunded Bonds shown in Exhibit A, shall be a Sunday or a legal

holiday or a day when the Bank is authorized by law to close, then the performance thereof need not be made on such date but may be performed or paid, as the case may be, on the next succeeding business day of the Bank with the same force and effect as if made on the date of performance or payment and with respect to a payment, no interest shall accrue for the period after such date.

SECTION 22: Warranty of Parties re: Power to Execute and Deliver Escrow Agreement. The City covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Agreement, in any and every said Refunded Bond as executed, authenticated and delivered and in all proceedings pertaining thereto as said Refunded Bonds shall have been modified as provided in this Agreement. The City covenants that it is duly authorized under the Constitution and laws of the State of Texas to execute and deliver this Agreement, that all actions on its part for the payment of said Refunded Bonds as provided herein and the execution and delivery of this Agreement have been duly and effectively taken.

SECTION 23: Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the parties to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement. In the event any covenant or agreement contained in this Agreement is declared to be severable from the other provisions of this Agreement, written notice of such event shall immediately be given to each national rating service (Moody's Investors Service, Inc., Standard & Poor's Corporation, a division of The McGraw-Hill Companies, Inc., or Fitch Investors Service) which has rated the Refunded Bonds on the basis of this Agreement.

SECTION 24: Termination. This Agreement shall terminate when the Refunded Bonds have been paid in full in accordance with the provisions of this Agreement. If any Refunded Bond is not paid when due because of failure to satisfy a condition for payment such as surrender and presentation to the paying agent, the nonpayment thereof shall not prevent the termination of this Agreement. Funds for the payment of such Refunded Bonds shall be held by the Bank for such purpose in accordance with Section 7 hereof. Any moneys or Escrowed Securities held in the Escrow Fund at termination and not needed for the payment of the Refunded Bonds shall be paid or transferred to the City.

SECTION 25: Successors/Assigns. (a) Should the Bank not be able to legally serve or perform the duties and obligations under this Agreement, or should the Bank be declared to be insolvent or closed for any reason by federal or state regulatory authorities or a court of competent jurisdiction, the City, upon being notified or discovering the Bank's inability or disqualification to serve hereunder, shall forthwith appoint a successor to replace the Bank, and upon being notified of such appointment, the Bank shall (i) transfer all funds and securities held hereunder, together with all books, records and accounts relating to the Escrow Fund and the Refunded Bonds, to such successor and (ii) assign all rights, duties and obligations under this Agreement to such successor. If the City should fail to appoint such a successor within ninety (90) days from the date the City discovers, or is notified of, the event or circumstance causing the Bank's inability or disqualification to serve hereunder, the Bank, or a bondholder of the Refunded Bonds, may apply to a court of competent jurisdiction to appoint a successor or assigns of the Bank and such court, upon determining the Bank is unable to continue to serve, shall appoint a successor to serve under this Agreement and the amount of compensation, if any, to be paid to such successor for the remainder of the term of this Agreement for services to be rendered both for administering the Escrow Fund and for paying agent duties and responsibilities for the Refunded Bonds.

(b) Furthermore, the Bank may resign and be discharged from performing its duties and responsibilities under this Agreement upon notifying the City in writing of its intention to resign and requesting the City to appoint a successor. No such resignation shall take effect until a successor has been appointed by the City and such successor has accepted such appointment and agreed to perform all duties and obligations hereunder for a total compensation equal to the unearned proportional amount paid the Bank under Section 16 hereof for the administration of this Agreement and the unearned proportional amount of the paying agents fees for the Refunded Bonds due the Bank.

Any successor to the Bank shall be a bank, trust company or other financial institution that is duly qualified under applicable law to serve as escrow agent hereunder and authorized and empowered to perform the duties and obligations contemplated by this Agreement and organized and doing business under the laws of the United States or the State of Texas, having its principal office and place of business in the State of Texas, having a combined capital and surplus of at least \$5,000,000 and be subject to the supervision or examination by Federal or State authority.

Any successor or assigns to the Bank shall execute, acknowledge and deliver to the City and the Bank, or its successor or assigns, an instrument accepting such appointment hereunder, and the Bank shall execute and deliver an instrument transferring to such successor, subject to the terms of this Agreement, all the rights, powers and trusts created and established and to be performed under this Agreement. Upon the request of any such successor Bank, the City shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Bank all such rights, powers and duties. The term "Bank" as used herein shall be the Bank and its legal assigns and successor hereunder.

SECTION 26: Limitation re: Bank's Duties, Responsibilities and Liabilities to Third Parties. The Bank shall not be responsible or liable to any person in any manner whatever for the sufficiency, correctness, genuineness, effectiveness, or validity of this Agreement with respect to the City, or for the identity or authority of any person making or executing this Agreement on behalf of the City. The Bank is authorized by the City to rely upon the representations of the City with respect to this Agreement and the deposits made pursuant hereto and as to the City's right and power to execute and deliver this Agreement, and the Bank shall not be liable in any manner as a result of such reliance. The duty of the Bank hereunder shall only be to the City and the holders of the Refunded Bonds. Neither the City nor the Bank shall assign or attempt to assign or transfer any interest hereunder or any portion of any such interest. Any such assignment or attempted assignment shall be in direct conflict with this Agreement and be without effect.

SECTION 27: Escrow Agreement – Amendment/Modification. This Agreement shall be binding upon the City and the Bank and their respective successors and legal representatives and shall inure solely to the benefit of the holders of the Refunded Bonds, the City, the Bank and their respective successors and legal representatives. Furthermore, no alteration, amendment or modification of any provision of this Agreement (1) shall alter the firm financial arrangements made for the payment of the Refunded Bonds or (2) shall be effective unless (i) prior written consent of such alteration, amendment or modification shall have been obtained from the holders of all Refunded Bonds outstanding at the time of such alteration, amendment or modification and (ii) such alteration, amendment or modification is in writing and signed by the parties hereto; provided, however, the City and the Bank may, without the consent of either the holders of the Refunded Bonds, amend or modify the terms and provisions of this Agreement to cure any ambiguity, formal defect or omission in this Agreement. If the parties hereto agree

to any amendment or modification to this Agreement, prior written notice of such amendment or proposed modification, together with the legal documents amending or modifying this Agreement, shall be furnished to each national rating service (Moody's Investors Service, Inc., Standard & Poor's Corporation, a division of The McGraw-Hill Companies, Inc., or Fitch Investors Inc.) which has rated the Refunded Bonds on the basis of this Agreement, prior to such amendment or modification being executed.

SECTION 28: Bank Not a Depository. The Bank and the City each hereby acknowledge and certify that the Bank does not act as a depository of the City.

SECTION 29: Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 30: Governing Law. This Agreement shall be governed by the laws of the State of Texas.

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers and their corporate seals to be hereunto affixed and attested as of the date first above written.

CITY OF AUSTIN, TEXAS

Pricing Officer

(City Seal)

U. S. BANK NATIONAL
ASSOCIATION, as Escrow Agent

Title: _____

ATTEST:

Authorized Signer

Exhibit E
Auction Procedures

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Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to “Series” such as “a Series of Bonds” or “Bonds of a Series” shall not apply if there is only one Series of Bonds.

ARTICLE I

Definitions

The following words and terms as used in this Exhibit E (hereinafter “this Exhibit”) and elsewhere in the Authorizing Document have the following meanings with respect to Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

“**Agent Member**” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“**All Hold Rate**” has the meaning set forth in Schedule I.

“**ARS Conversion Date**” means with respect to Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

“**ARS Rate Period**” means, for each Series of Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

“**Auction**” means each periodic implementation of the Auction Procedures.

“**Auction Agent**” means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

“**Auction Agreement**” means an agreement between the Auction Agent and the Paying Agent/Registrar pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

“**Auction Date**” means with respect to any Series of Bonds:

(a) *Daily Auction Period.* If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) *Flexible Auction Period.* If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) *Other Auction Periods.* If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

“Auction Desk” means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

“Auction Period” means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four

weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction

Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“Auction Period Rate” means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an ARS Rate Period set forth in this Exhibit.

“Auction Rate” means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series of Bonds.

“Authorized Denomination” means \$25,000, or such other amount specified in Schedule I, and integral multiples thereof so long as the Bonds bear interest at the Auction Period Rate, notwithstanding anything else in the Authorizing Document to the contrary.

“Authorizing Document” has the meaning set forth in Schedule I.

“Available Bonds” means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Bidder” means each Existing Holder and Potential Holder who places an Order.

“Bonds” has the meaning set forth in Schedule I.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the City and that is a party to a Broker-Dealer Agreement with the Auction Agent and the City. The **“Broker-Dealer of record”** with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Holder of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the City and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit, as such agreement may from time to time be amended or supplemented.

“Broker-Dealer Deadline” means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

“Business Day” in addition to any other definition of **“Business Day”** included in the Authorizing Document, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be

closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

“**City**” has the meaning set forth in Schedule I.

“**Clerical Error**” means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Holders or Potential Holders (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer’s Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a “Clerical Error” is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

“**Conversion Date**” means the date on which any Series of the Bonds begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

“**Electronic Means**” means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“**Error Correction Deadline**” means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

“**Existing Holder**” means a Person who is the beneficial owner of Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Holder.

“**Flexible Auction Period**” means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

“Hold Order” means an Order to hold the Bonds as provided in Section 2.01 (a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

“Index” has the meaning set forth in Schedule I.

“Initial Period” has the meaning set forth in Schedule I.

“Initial Period Rate” has the meaning set forth in Schedule I.

“Interest Payment Date” with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Authorizing Document to the contrary, the first Interest Payment Date for such Series of Bonds (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such

Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

“Maximum Rate” has the meaning set forth in Schedule I.

“Order” means a Hold Order, Bid or Sell Order.

“Person” has the meaning set forth in Schedule I.

“Potential Holder” means any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Holder.

“Record Date” means, notwithstanding anything else in the Authorizing Document, while the Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an Interest Payment Date.

“Schedule I” means Schedule I to this Exhibit.

“Securities Depository” means, notwithstanding anything else in the Authorizing Document to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the City.

“Sell Order” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Submission Deadline” means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Paying Agent/Registrar or the City pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association’s Early Market Close Recommendations for shortened trading days for the bond markets (the “SIFMA Recommendation”) unless the Auction Agent is

instructed otherwise in writing by the Paying Agent/Registrar or the City. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Sufficient Clearing Bids” means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Holders specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Holders specifying rates higher than the Maximum Rate.

“Units” has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

“Winning Bid Rate” means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

ARTICLE II

Auction Procedures

Section 2.01 *Orders by Existing Holders and Potential Holders.*

(a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Holder.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a “Hold Order,” an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a “Bid,” and an Order containing the information referred to in clause (i)(C) above is referred to as a “Sell Order.”

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Holder or a Potential Holder or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more

than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Holder shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Holder shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the

Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Holder is not submitted to the Broker-Dealer of record for such Existing Holder prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Bonds held by such Existing Holder and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Holder, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Holder covering the principal amount of Bonds to be converted held by such Existing Holder not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Holder or Potential Holder shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02 *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Holder:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Holder;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Holder; and

(v) to the extent such Bidder is a Potential Holder, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Holder, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Holder submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Holders with those of other Potential Holders on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Holders with other Existing Holders on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the City, the Paying Agent/Registrar or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Holder, Potential Holder or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Holder or Potential Holder or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Holder or Potential Holder or is an Order received from the Broker-Dealer that was not originated by

the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Holder, a Potential Holder or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03 *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Holder up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Holder up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the

Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Holder in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Holder;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Paying Agent/Registrar or City that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Paying Agent/Registrar or City has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04 *Determination of Auction Period Rate.*

(a) If requested by the Paying Agent/Registrar or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Paying Agent/Registrar, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction

Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Paying Agent/Registrar, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Paying Agent/Registrar, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an

Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Section 2.05 *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Holder shall be accepted and the Submitted Bid of each Existing Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring

each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Holder to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Holder specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Holder specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Holder shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Holder subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Holder shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Holder or Potential Holder would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of

an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Holder or Potential Holder on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Holder or Potential Holder on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Holders or Potential Holders not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Holder would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Holders so that the principal amount of the Bonds purchased on such Auction Date by any Potential Holder shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Holders not purchasing the Bonds on such Auction Date.

Section 2.06 Notice of Auction Period Rate.

(a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Holder;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Holders on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Holders on whose behalf such Broker-Dealer submitted Bids; and

(vi) the amount of dividend or interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall: (i) if requested by an Existing Holder or a Potential Holder, advise such Existing Holder or Potential Holder on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Holder was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Holder's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the City and Paying Agent/Registrar by mutually acceptable Electronic Means and the Paying Agent/Registrar shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07 *Index.*

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the City, the Paying Agent/Registrar, the Broker-Dealers, the Auction Agent and the Holders of the Bonds.

Section 2.08 *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each Series of Bonds, the provisions of the Authorizing Document and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Authorizing Document by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Paying Agent/Registrar mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Authorizing Document, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the City and the Paying Agent/Registrar a Favorable Opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the City that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the City within 90 days after the City receives notice or becomes aware of such condition, as the case may

be, the Auctions shall cease and the City shall execute and the Paying Agent/Registrar shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the City and the Paying Agent/Registrar.

During an ARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Holder or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Holder or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Holder of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) Unless specifically provided otherwise in Schedule I, the Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of an Event of Default under the Authorizing Document.

Section 2.09 *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the City, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The City shall initiate the change in the length of the Auction Period by giving written notice to the Paying Agent/Registrar, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Holder submits an Order with respect to such Bonds of any Series, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of the City, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the City's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Paying Agent/Registrar, the City and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the

Broker-Dealer for a majority of the outstanding Units (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Holder Registry maintained by the Auction Agent pursuant to the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.

SCHEDULE I

TO

AUCTION PROCEDURES

In the event of any conflict between this Schedule I and Exhibit E, this Schedule I shall prevail.

DEFINITIONS

“All Hold Rate” means, as of any Auction Date, 60% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 90% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

“Auction Agent” shall be determined by the City at least 5 Business Days before the Conversion Date of the Bonds into the Auction Mode.

“Auction Period” shall include in the *Six-month Auction Period* either May 14 or November 14.

“Authorized Denomination” means \$25,000, and integral multiples thereof, unless another amount is specified here.

“Authorizing Document” means Ordinance No. 20080306-053.

“Bonds” means the City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008.

“City” means City of Austin, Texas.

“Index” means on any Auction Date with respect to Bonds in any Auction Period of 35 days or less, the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Reuters Screen LIBORO1 Page at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market. The Index with respect to Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by City and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the City. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period

or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

“Initial Period” means following an ARS Conversion Date the Initial Period shall mean the period specified as the “Initial Period” in the notice of conversion to an ARS Rate Period.

“Initial Period Rate” means for an Initial Period commencing on an ARS Conversion Date the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such determination shall be conclusive and binding upon the City, the Paying Agent/Registrar, the Auction Agent, and the Holders. Not later than 5:00 p.m., New York City time, on the date of determination of the Initial Period Rate, the Broker-Dealer shall notify the Paying Agent/Registrar, the City and the Auction Agent of the Initial Period Rate by Electronic Means.

“Maximum Rate” means for any Bond the lesser of (a)(i) 15% if the interest on such Bond is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes or (ii) 21% if the interest on such Bond is includable in gross income of the beneficial owner of such Bond for federal income tax purposes and (b) the maximum rate permitted by applicable law.

AUCTION PROCEDURES

Determination of ARS Rate. The percentage of the Index in Section 2.04(c) is 75% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 110% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.